Sunday Times

IT'S MY BUSINESS

The 10-step entrepreneur's programme that gives you the tools to succeed

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WHAT IT'S ALL ABOUT

"It's My Business" was a free 10-week entrepreneur's course provided by the Sunday Times in partnership with Wits Business School. It ran from September 30 to December 2 and consisted of 10 modules.

Twenty-six thousand people registered for this course, which was sponsored by the Liberty Foundation. Fifteen thousand of these received a free CD-ROM of the course.

The passwords to access the nine previous modules are:

Module One: ideas1op
Module Two: 2strateg
Module Three: finance3
Module Four: mark4str
Module Five: ret5staf
Module Six: mng6fin
Module Seven: 7saleman
Module Eight: manstaf8
Module Nine: knowman9

For more information see www.sundaytimes.co.za/itsmybusiness

Should you have any queries, call (011) 280-5216 Monday to Friday between midday and 2pm.

MODULE ONE: From Idea to Opportunity

By Dominik Heil

Behind every great business is a determined entrepreneur

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A general-interest article by the Wits Business School experts on the course modules appears in the Careers section each week during the course. A password published with each weekly article will enable students to access their course modules on the Internet or on CD-ROM.

Those who pass the exam with 50% or more can receive a Sunday Times "It's My Business" certificate.

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THE entrepreneurial response to a changing society is to find a way to meet the emerging needs of people. It is the response of those who will not wait for circumstances to come their way, who see life as nothing but a chance to realise their dreams.

This does not mean they won't come up against significant obstacles. Being entrepreneurial means to falter and then to try again. Being an entrepreneur means never giving up on being who you believe you can be and seeking opportunities accordingly.

It is thus hardly surprising that entrepreneurs tend to be both a nation's richest people and its foremost philanthropists and community leaders.

Entrepreneurs are those who, more than anyone else, change the way people live, develop, learn, work, recreate, play, lead and even die.

We are, however, only at the dawn of understanding entrepreneurial reasoning. What allows us to be entrepreneurs? For most of us, entrepreneurs are people surrounded by a mystique that we do not understand. This leads many of us to the conclusion that entrepreneurs are born, not made.

Nothing could be further from the truth. Maybe not everyone has the urge to start a new venture. However, entrepreneurship is not an internal characteristic or competence but a perspective that can be adopted.

The perspective that makes an entrepreneur is to meet any situation with the question, "Where is the opportunity in this?"

Fundamentally, entrepreneurs are people who have cultivated four qualities: the relentless and continuing generation of ideas, the openness to take ideas seriously, the rigorous search for those ideas that manifest a tangible opportunity, and the managerial pursuit to realise an opportunity and turn it into a sustainable business.

I hear from some students that they would like to start a new business but do not yet have the right idea.

My experience is that those who have a good idea tend to first have many ideas. Experts on creativity tell us that the best way to have a good idea is to first have many ideas.

Most successful entrepreneurs did not come up with their ideas on a drawing board. They tend to be people who are deeply involved in many aspects of the business of living.

It is this involvement that provides them with an ongoing stream of ideas. They are intensely interested in a whole range of issues and usually recognise something as a business idea in the most mundane of places.

Entrepreneurs tend to see opportunities where common sense suggests problems. They are the kind of people who, rather than complaining, tend to search for and see potential for improvement in any situation.

For most would-be entrepreneurs, though, it is not a lack of ideas that keeps them from making the leap into a new venture. As a matter of fact, I have come across a number of people who have had great ideas they have never turned into businesses.

Probably the foremost reason is that they think that being creative by itself already makes them accomplished entrepreneurs.

This, however, is not the case. Inventors are not entrepreneurs. At the same time, entrepreneurs know that inventions are a fundamental building block of many great ventures and they are thus always on the lookout for a genuinely new idea.

Another obstacle for potential businesses is that people tend not to be serious about their ideas. How often have you had an idea that you did not pursue and it turned out that someone else who pursued a similar idea landed a big success? The author Mark Twain once remarked: "I was seldom able to see an opportunity until it ceased to be one."

Successful entrepreneurs understand the notion of "opportunity". An opportunity is the evidence that the idea can be turned into reality. An opportunity in business is created when there is a demonstrated need for a product or service from someone who is willing to pay a price higher than the cost of producing the product or service.

At the same time, for an idea to become an opportunity, there needs to be a demonstrated capability to produce this product or service.

This is what good business plans are all about: to demonstrate the need for a product and to show the capability to produce it at a profitable cost.

Thus, what seasoned investors are looking for is twofold. First, they look for sufficient evidence that there is a significant need for the proposed product. Has the entrepreneur researched the product and the demand for it extensively enough? Can he or she show that there are a sufficient number of people prepared to spend enough money on the product so that profitable production can be achieved?

Second, investors look for an entrepreneurial team. Do the members of the team have sufficient experience to pull off this venture? Will the team be able to function through the ups and downs of launching and growing a business?

If there is one critical element that stands out in ensuring the success of a new venture, it is the quality of the team. It is far better to start a business with an average product and a superior management team than one with a superior product but an average management team. New ventures will almost inevitably come up against unforeseen obstacles. It is the teams who can deal with those obstacles that will win the race.

The discipline to articulate an opportunity is called "writing a business plan".

Writing a business plan helps the entrepreneur to think through what the new business is supposed to be. Business plans give structure to thinking through the necessary requirements and steps to turn a new idea into a sustainable business.

The world is full of ideas but real opportunities for new businesses are more difficult to find. What is even scarcer are well-articulated opportunities that inspire people to invest time, money, expertise and creative energy into a new venture.

Never has the entrepreneurial spirit been more alive in South Africa and never has it been that crucial to the quality of our lives. In the past few years, a whole range of companies which started out of garages and backyard cottages have made corporate giants tremble. A whole generation is saying goodbye to life in stale organisations and, in most cases, this means starting their own businesses.

A new generation seems to love the entrepreneurial challenge for its own sake. Entrepreneurship epitomises personal and collective liberation. It is seen as the primary avenue to transforming societies.

South Africa offers an abundance of potential business solutions at the friction line between First and Third World. There are vast opportunities that cannot be understood by those who are stuck in First World thinking. These opportunities can, however, be recognised by those who understand the diverse needs of our people.

There is also one answer that sticks out as a response to rectifying the injustices of the past: small-business creation. While big business is shedding jobs, small businesses are becoming the engine of job creation.

Entrepreneurship is opportunity-centred and rewards talent and performance. Small-business success could not care less about age, religion, sex, race or social class. Usually, it is easier for those who were disadvantaged to see the needs of the majority of people. Entrepreneurship has the potential to be the great equaliser.

□ Heil is a lecturer in strategy and entrepreneurship at Wits Business School

Driven to succeed and unafraid to fail

- Entrepreneurs are uncompromising in their commitment. They do not mind hard work and are determined to persevere and win. Losing is not an option.
- Entrepreneurs thrive on competition. They burn with the desire to prove that new levels of performance are possible all the time and that they are able to do better than anyone has done so far.
- Entrepreneurs are constantly and in all kinds of situations looking for the opportunity to improve. Creativity and the exploration of new ways of doing things are valued for their own sake. They see the glass as half full rather than half empty.
- Entrepreneurs are not afraid of failure; rather, they are afraid of missing an opportunity because they were not prepared to take the risk.
- Entrepreneurs are not risk seekers but risk managers. They neither avoid risk nor ignore risk. They know which risks they have to take to make success possible.
- Entrepreneurs are prepared to live with ambiguity. They are clear that no new territory has been taken without the feeling of not quite knowing what is around the next corner.
- Entrepreneurs know that planning is key for success. However, they do not become addicted to the plan but stay flexible to accommodate changing circumstances and the need of the moment.
- Entrepreneurs strive for integrity. They know that success without honesty is no success at all.
- Entrepreneurs see failure as a tool for learning rather than an excuse for resignation. New ventures inevitably lead to failures. It is those who know how to deal with failures effectively who will win.
- Entrepreneurs are perfectionists and don't mind attending to detail.
- Entrepreneurs are addicted to making a difference. They believe that progress depends on them and they are not afraid of being labelled arrogant.
- Entrepreneurs are willing to accept responsibility and to confront the effects of their actions. This gives them the perspective and the power to be in charge. Entrepreneurs always assume that they are where the buck stops.
- Entrepreneurs are passionate team players. The greatest achievements have always been accomplished by groups rather than individuals.

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MODULE TWO: Strategy

By Max MacKenzie

Carefully consider the big picture

STRATEGY is all about withdrawing from the day-to-day issues of business and taking a careful, questioning look at the big picture.

It is tempting to exploit a gap in the market but it can be dangerous when there is no market in the gap.

While each business idea has its own context and requires specific focus, there are some general strategic issues you need to consider before you take the big plunge.

The environment in which you do business is the broadest area for analysis, thus it is the best place to start.

The social, political and economic situation affects business greatly. Familiarise yourself with macro-economic and fiscal policies as they influence the exchange rate, inflation and cost of finance.

It is also essential to understand the statutory regulations governing business in SA, from setting up a company right through to tariffs and international trade policies.

For a disgruntled male teacher who wishes to start a business which manages specialist overland tours, the weakening of the rand will enhance South Africa's attractiveness as a holiday destination.

An analysis of the socio-political climate could indicate that it will remain hospitable towards foreign tourists and that the political leadership is expected to continue giving tourism top priority and making the economic environment favourable.

Once the situation is known, some gazing into the crystal ball is recommended.

Policies, economies and governments can all change. Globalisation and technology are causing the environment in which we do business to change at an increasing rate. Ask yourself who is likely to be driving the economy in which you operate in five, 10 and 20 years. Will things be different from the current situation and, if so, in what way?

Michael Porter, considered the founding father of modern strategic thinking, has identified three generic strategies for business:

- Overall cost leadership, by dominating the market by offering a product or service at a lower price than competitors can sustain. To do this profitably an organisation needs to turn over huge volumes and operate near full capacity at all times. Market position is retained through supporting research and development, to keep them one step ahead;
- Differentiation, through superior design and quality, expert support and advice, quicker delivery, and so on. Any company that can charge a premium for its product has successfully applied this strategy. Woolworths, for example, has achieved quality differentiation with its food products; and
- Focusing on a particular product, geographical region or clearly defined market segment. Differentiation and loyalty will be gained through thorough knowledge of the market and expert serving of the customer needs.

For small businesses in general, overall cost leadership is unlikely to be feasible, so differentiating the product and exploiting a niche is advised.

Once you've decided on a strategy, the hard work begins. Determining exactly what your business does may sound obvious, but many ventures do not go through this essential introspection, and those that do are often not honest with themselves.

Several tools have been developed to aid this journey of self-discovery, one of the simplest being "Swot": strengths, weaknesses, opportunities and threats.

Strengths and weaknesses are inwardly focused to determine what your company does well and what it should do better. Opportunities and threats have an external focus, where the industry is analysed for any potential openings or problems that could affect your business.

This simple focus on the good and the bad, the internal and external, together with the current and the predicted, all help clarify your venture's position and where it fits into the industry as a whole.

From here you need to move on to more detailed analysis of the industry. Porter's "Five Forces" looks at five key areas:

- The threat of substitutes. It is important to consider how easily a rival item could meet the need your product fulfils. Just about anything can be reverse engineered and duplicated; patents take time to acquire and are costly to defend. It is also important to remember that the market could change unexpectedly.

  Using the example of a travel company, several companies offer this service, and could all be regarded as potential substitutes;
- The threat of new entrants, who might take a slice of the pie if your market does not restrict entry. Without legal (patents, licences), financial (high cost of capital outlay) and technical expertise (limited supply of necessary skill) barriers, anyone with a computer could access the market, impacting on your return.

  For our travel business, there are no significant barriers to entry. Knowledge of the area is perhaps this venture's greatest asset, but even that is hardly unique;
- The bargaining power of suppliers. An imbalance of power between two trading entities means that a breakdown in the relationship will hurt one party more than the other. If you can only obtain your goods from a single source, but they have several buyers with whom to trade, you are at their mercy.

  In our travel business, suppliers would be booking agents, vehicle manufacturers, hotels and restaurants, but there are so many to choose from that these suppliers would not have much power;
- The bargaining power of buyers. This is the same message as above, but taken from the buyer's point of view. If your customers have many options, they hold the power.

  In the case of our travel business, buyers hold a lot of power. This leaves you in a vulnerable position, which may cause you to discount your prices and sacrifice your margins; and
- The intensity of rivalry among competitors. All the above factors contribute to the intensity of rivalry within the industry. Others would be the size and growth of the industry, the returns available and the barriers to exit.

The travel industry is very competitive and the target market of such a venture is so small and focused that any existing players could reasonably be expected to fight for their lives.

In assessing your business using Porter's Five Forces, easy entry and numerous substitutes make for a competitive industry. Powerful buyers or suppliers further undermine your position.

Generally, the greater the competition the lower the return and the harder you will have to work for a slice of the shrinking pie.

Another very useful tool is the "value chain", which breaks the industry into value-adding components to see where the margins are and which area you are best suited to service.

The value chain shows how value is added incrementally through various stages of the industry.

A company can choose to focus on only one value-adding activity, or can integrate vertically to control the whole chain.

Before entering into a new venture, break the industry down in such a way. If information is available, try to allocate margin percentages to each activity. It is often surprising to find that most of the industry's entire profit margin rests in one or two of the value chain activities. From an entrepreneurial point of view, it would seem logical to specialise in a single focused area and develop difficult-to-imitate expertise in that.

A value chain for our travel business would show there is money to be made in the following consecutive stages: advertising; booking agents; flights; transport; guides; accommodation; food and souvenirs.

Our entrepreneur intends to focus solely on the stages involving transport and guiding.

He will pay for specialist productions to carry his advertisements and travel agents will take bookings on his behalf for the usual commission. Flights to and from South Africa will be for the tourists themselves to arrange and he will only be responsible for them between their arrival and departure.

During this time he will host, guide and advise them, but the groups will stay at hotels, eat in restaurants and shop at the local craft villages.

These are areas of the value chain he is willing to sacrifice as they fall outside of his area of expertise.

The last thing to do before taking the plunge is some scenario planning. Here you must identify the key factors influencing your industry and ask yourself "What if?"

For our travel entrepreneur, worst-case scenarios could be the collapse of tourism in Southern Africa due to the Zimbabwe crisis, and expensive legal claims and destroyed reputations due to bad experiences, motor vehicle accidents or encounters with crime. How would these affect operations and could you survive the worst?

Conversely, what if tourism booms, the rand weakens further and the Kruger Millions are discovered somewhere on your route?

Would you be ready to maximise the opportunities that arise?

All these questions will help you consider the consequences of different scenarios. Having mentally "been there" you will have prepared yourself for the best possible course of action. Of course this may put you off, but if you do choose to proceed, you do so with your eyes open.

Assuming that you've now decided to "go for it", consider the Greenfield market entry strategy, which involves starting an operation from scratch.

However, buying out an existing player or forming a series of alliances with other sections of the value chain must also be explored.

Our travel entrepreneur may want to approach a hotel or travel agency group to see if they are interested in entering into a partnership. If so, you and your party get to enjoy special treatment or rates in return for your guaranteed custom.

It is important to try to limit your exposure in the early days of uncertainty.

This can be done by choosing a narrowly defined activity in the value chain and forming alliances with other parties for all other inputs.

These alliances allow everyone to concentrate on what they do best and ensures a healthy balance of power. Everyone suffers if the venture does not succeed, but all share in the success if things go well.

This is a powerful way of aligning the stakeholders' interests and making sure everyone pulls in the same direction.

Many successful companies are not really single units at all, but a loosely knit group of individuals, each bringing their own expertise to the venture.

While it can work well, it comes at a cost: each participant only enjoys the small margin available in the chain for their specific activity and forgoes the rest to the others.

Once you're up and running, how do you sustain your position? A lot of this comes down to being in touch with your market and having the ability to change quickly in response to emerging needs.

Here the entrepreneurial venture has a distinct advantage over large corporates, which often have clumsy systems. Small businesses must remain lean and light on their feet, to enable them to monitor the market and revise their offerings without having to reinvent the wheel.

In conclusion, a word of warning for when you are faced with the success and growth of your venture.

While this is obviously good news, it comes with new threats. The Chinese have a saying: "You should cross the river by feeling for the stones". Try not to get carried away. Go for incremental growth at a manageable rate.

This does not mean that you should not have hugely ambitious goals; just be sure that you break the route to the top down into sensible, manageable and measurable steps.

MacKenzie is a lecturer in finance and entrepreneurship at Wits Business School

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A SIDE from customers, the entrepreneur must satisfy shareholders, trade creditors and lenders. At the set-up and growth stages, most businesses need to use loans to improve or grow, so satisfying the bankers (or government-sponsored financing agencies) is often the key to success.

An alternative is to raise money in the venture capital market, where a minimum equity capital of R500 000 is required. As this is a big hurdle for most entrepreneurs, this form of funding will be discussed as an exit strategy later on in this series of articles.

To assess credit worthiness, lenders generally utilise the five C's: character and integrity of the entrepreneur, capacity to service the loan, capital (the owner's equity in the business), collateral or security (the pledging of assets) and political, legal and operating conditions.

These traditional methods rightly protect the lender, who is generally the custodian of other peoples' money, but do not always ensure that the entrepreneur is protected.

The pitfalls that await the aspirant entrepreneur fall into three main areas: running out of funds, borrowing money that is not needed and, most common of all, borrowing more than you can service. Any of these mistakes can cost you your business and your life's savings. As a rule of thumb, the three questions beginning with W in the steps below are quick and easy to answer and will help to avoid the main problems experienced by entrepreneurs.

MODULE THREE: Financing your Venture

By Frank Durand

Three questions beginning with 'W' can save you from bad debt

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QUESTION 1: What amount of funding is needed?

It is dangerous to borrow, say, R85 000 only to discover halfway through the financial year that you really need R100 000 or more. If you are a poor credit risk for the full amount and further funds are not forthcoming, a total loss situation could result.

Financial Planning Models

To estimate the funds a business requires, use a financial planning model. This will involve projected or pro forma income statements and balance sheets under various economic assumptions.

The pro forma financial statements estimate asset and financing requirements along with the "plug value", the amount of debt needed to balance the projected balance sheet.

Of course, this plug value can also be funded by additional equity from existing or new shareholders but entrepreneurs have usually tapped all available sources of equity at the outset.

Percentage of Sales Approach

The percentage of sales approach is a financial planning method in which accounts are varied depending on a firm's predicted sales level. It is a common method of estimating funds needed. Typically, retained profits increase with sales as do current assets and current liabilities. The percentage of sales approach also assumes fixed assets increase with sales (which is usually only true in the longer term), and then estimates the plug value of debt which, together with the opening equity and new retained profits, will be required to fund these assets.

Note that the pro forma financial statements need not be calculated by escalating every account in line with sales. This is the more practical approach since fixed costs and fixed assets will not always increase when sales grow. Percentage-of-sales models are therefore likely to provide an overestimate of funds needed.

Numerous software packages that generate pro forma statements under various assumptions are available. In addition, lenders often provide spreadsheets to help the entrepreneur.

Free Cash Flow Approach

An alternative to the percentage of sales approach is the free cash flow approach. If the initial investment consists of equity, the cash in the business will grow or decline with the cash flow from operations and changes in Net Working Capital and Fixed Assets.

● This change in cash can be estimated as follows:

Free Cash Flow = Net Operating Profit after Tax less Increases in Net Working Capital less Increases in Fixed Assets.

The cumulative free cash flow will provide an estimate of the surplus or deficit of cash in the business. Not surprisingly, lenders are particularly interested in the cumulative free cash flow as it shows how much debt is likely to be needed to fund the business. Before agreeing to a loan, most lenders will use their own spreadsheets to test the sensitivity of the free cash flow forecasts to changes in sales, costs and assets to satisfy themselves that the business can withstand adverse trading conditions.

QUESTION 2: Where will the funding come from?

Even if your business is creditworthy, it will forfeit profits if it borrows while internal funds are available in the form of excess working capital that can generate liquidity.

Cash is the most obvious form of working capital that can be used to avoid additional borrowing. Other less obvious internal sources of funds are:

Stock: Carrying too much stock is a trap for many new businesses. In addition to interest costs, it requires insurance, warehouse space and handling, and is subject to shrinkage and obsolescence.

Debtors: The longer you give your customers to pay, the more money you tie up in working capital and the greater your chances of incurring bad debts. Your terms should be no longer than necessary and overdue accounts should be pursued.

If your debtors are in order but you still require funds, then factoring may be a possibility. It is a form of funding that can be used to reduce debtors and generate funds. The provider of the funds or factor will buy the debtors from your business with or without recourse to you for bad debts.

Most factoring is done with recourse, although credit card sales are a form of factoring without recourse. Factoring need not be more expensive than borrowing on overdraft, particularly if the savings from bad debts (if it is without recourse) and debtors' administration are taken into account.

Creditors: Not paying your creditors early allows funds to remain in the business and therefore reduces the need for borrowing. However, using creditors by forfeiting early payment discounts can be a more expensive form of funding than an overdraft.

QUESTION 3: When will the funds be repaid?

To service debt, interest and principle repayments must be met. If you cannot do this then you don't control your company — your creditors do! The funds to service debt in this way should be from future operating profits after tax and not from realising security (this involves liquidating your pledged assets and is normally an unpleasant last resort).

Looking at the problem in this way eliminates the need to worry about liquidity ratios and matching the term of the debt with the life of the asset, although these techniques can be helpful in surviving in a volatile environment.

More than two thirds of small businesses fail within three years. Therefore, it is not advisable to be overly dependent on interest-bearing debt to finance your business.

Generally, lenders will want to see between 20% and 30% of the total capital employed come from the entrepreneur. In addition, they will require collateral to secure their loans. In making their lending decision, they will draw on pro forma financial statement scenarios or cash flow sensitivity analyses to establish whether you will be able to repay the debt.

A short cut to determining whether your business is borrowing too much is set out below.

A Quick Estimate of Debt Capacity

Step 1: Estimate pessimistic annual Net Operating Profit after Tax (NOPAT) and the maximum expected before-tax interest rate over the number of years the loan has to maturity (assume overdrafts have a maturity of at least a year).

Step 2: Calculate the debt capacity of your business by dividing the NOPAT by the maximum expected per-annum interest rate plus the inverse of the maturity period for the debt (both figures expressed as decimals). Your total debt should not exceed this figure.

□ *Durand is a senior lecturer in finance and accounting at Wits Business School*

BAD DEBT: Common but potentially inappropriate reasons to borrow

REASON 1: To grow fast

Growing your business is healthy but too much growth too quickly requires more money than your business can generate from profits. Either you will require new equity injections or more debt. Lenders will not continue to increase their funding without your stake in the business also increasing proportionally. Many entrepreneurs discover this limitation too late. They continue to grow only to find the lenders demand repayment and they face liquidation. This is rather aptly known as "growing broke".

REASON 2: To provide a better service

Over-servicing the customer is a common mistake. Find out what your customer wants and is prepared to pay for. Providing more than this will not be declined but will eat into your profits without necessarily growing your sales.

REASON 3: To increase stocks

Stock is an asset but too much stock is a burden on any business. It requires storage and security and costs money to keep. Worst of all, it can become obsolete and worthless. Ask yourself whether the stock levels are adding to sales. If not, reduce stock by 1. ordering smaller quantities of supplies more often rather than large quantities periodically and 2. cutting the time you take to produce the finished product.

REASON 4: To finance your customer

Generally, the longer your customers take to pay you, the greater the chance of bad debts and the more money tied up in the business. Make sure you know which of your customers have not paid on time and demand what belongs to you.

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MODULE FOUR: Marketing Strategy

By Professor Russell Abratt, Geoff Bick and Helen van Rensburg

Charting your course through shark-infested waters

PLANNING for the future is a critical part of our lives, and is equally important for organisations striving to improve their performance in competitive, dynamic markets.

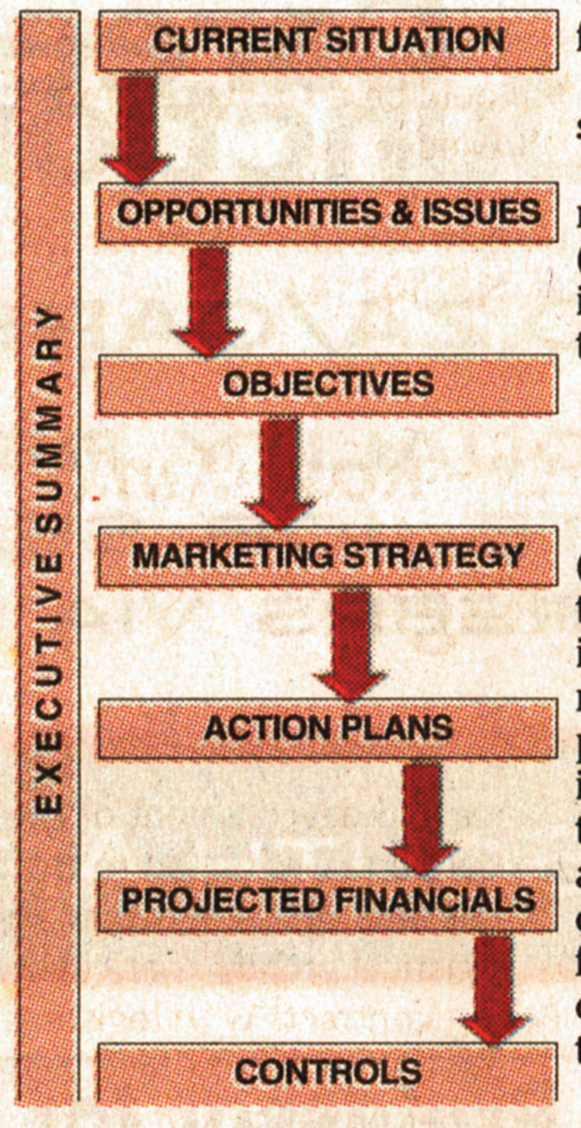
Yet for many it is a task that is ignored, relegated to the bottom of the priority list or considered unimportant in the context of daily operational crises.

However, there are benefits to conducting formal strategic marketing planning. Research has shown that companies that do plan are significantly more profitable in the long term than companies that do not.

Furthermore, companies that introduce formal planning show marked improvements in their financial performance.

Planning highlights opportunities, identifies contingency plans for changing circumstances, allocates resources more efficiently and focuses management's attention on issues critical to developing and maintaining a competitive advantage.

Most marketing plans follow the format in the illustration to your right.



The development of a strategic marketing plan is illustrated by the following case study: Erichka Millard and her partner, Kenneth Zimbili, have recently acquired the Sunninghill Copy Shop, a digital photocopying centre, which services organisations in a 10km radius.

Over the past year, they have resolved the issues of change of management, operating staff, facilities and production equipment, and are now detailing their original marketing plan, which was sketched in outline form in their business plan to acquire the operation.

Located in a prime business area with high growth potential, they need to resolve issues related to their target markets, services offered, and elements of the marketing mix to meet their investment objectives.

STEPS:

1. Executive Summary

This section is written last and then inserted at the front of the marketing plan. It will cover the main issues in the plan, including investments, returns and overall strategy, and typically summarises all of the following elements.

2. Current Situation

This section covers the current situation, including:

- Market size and growth;
- Customer segments;
- Product portfolio;
- Competitive situation; and
- Macro-environmental factors (political, economic, sociological, or technological).

In the case of the copy shop:

The outsourced (not in-house) photocopying market in the region is currently 10 million prints a month, and is expected to continue its 15% per annum growth, driven by the trend for companies to downsize and stick to core business.

Customers include training and education organisations, large and medium-sized corporates, brokers, and off-the-street individual consumers.

Services offered are black and white and colour A4 photocopying, engineering plan printing, and binding and finishing services.

There are five other copy centres within the 10km radius, offering similar or lithographic facilities, with two being members of a major franchise group. Market shares vary from 10% to 28%.

The industry is fragmented with a high degree of localisation and varying levels of service, and the trend toward digital document creation and communication provides opportunities for those copy centres with in-house digital expertise and e-mail or ISDN lines.

3. Opportunity and Issue Analysis

A useful tool to aid analysis is the "SWOT" matrix. This tool focuses on the company's strengths and weaknesses, and also considers external opportunities and threats. Sunninghill Copy Shop's SWOT analysis would look like the table, above right.

Strengths	Weaknesses
• Good location • Trained staff • Entrepreneurial spirit • Digital expertise	• Under-capitalised • Poor historic service record • Low awareness in the area
Opportunities	**Threats**
• Graphic arts service • Satellite operations • Digital links to large corporates	• Liquidation of the landlord • New competitors entering the area • Price-cutting by existing competitors to gain market share

Sunninghill Copy Shop's SWOT analysis

4. Objectives and Goals

These need to be quantifiable, challenging but achievable, and indicate by when they should be achieved. Sunninghill's could be as follows:

Grow revenue by 25% per year, while maintaining current operating margins, to achieve one million prints a month by mid-2003.

5. Marketing Strategy

This is the heart of the marketing plan, and this is where the creativity and the hard work of those involved in developing the plan can pay off. It requires innovative ideas, tempered by reality and integrated into an overall plan of how the organisation wants to get to its desired position.

The first step is to segment the market according to some criteria, so that an organisation can target one or more segments with an appropriate marketing strategy.

The segments could be:

- Bargain-hunters: Organisations looking for the cheapest photocopying service, where quality and service are secondary, and frequently switching suppliers;
- Overflows: organisations that have in-house facilities, and utilise external copy centres for excess workload;
- High augmentation demands: Typically training institutions, requiring high service and quality, including after-hours emergency printing and delivery; and
- One-offs: Walk-in trade, school projects, copies of photographs, typing of CVs, with high labour requirements and low printing volumes.

The next step is to choose a target market, which in this example could be segment three, (high augmentation demands) which represents a higher margin opportunity, although it is more demanding in terms of meeting customers' needs.

To target this segment, the product or service is "positioned" or differentiated according to the requirements of the market and relative to competitors.

This is typically achieved for product marketing through product, price, place and promotion. For services marketing, the "four Ps" are extended to seven, including people, processes and physical evidence.

For the Sunninghill Copy Shop example:

Product: High-quality printing service, focusing on error-free printing with fast turnaround time and after-hours service;

Price: "Skimming" pricing policy, charging 20% more than the industry norm to cover digital printing resources and additional services required;

Place: Convenient location is critical, as well as exposure in The Square shopping centre;

Promotion: Employing a sales rep on a commission basis to bring in business, as well as advertising in directories, flyers, signage, mail shots and so on;

People: Digitally literate, motivated and customer-oriented staff to be hired;

Processes: Systems to be improved for order intake, job tracking, invoicing, delivery and debt collecting; and

Physical evidence: Establishment to be clean, organised and well-lit to illustrate efficiency.

6. Action Plans

These are critical for the implementation of the marketing plan. They detail:

- What has to be done;
- Who is responsible for each task;
- The target completion date; and
- The budget for the task.

Without an appropriate action plan, a marketing plan will be merely a wish list.

7. Projected Financial Statements

The marketing plan forms the basis of the annual budget and beyond, and needs to be detailed in financial format.

This would typically cover:

- Sales by product group;
- Cost of sales by group;
- Gross margin percent by product group;
- Marketing expenses; and
- The net contribution to overheads.

8. Controls

It is essential that a marketing plan is reviewed regularly, to take into account changing environmental circumstances, new opportunities or operational actualities.

Feedback mechanisms should be put in place to ensure that appropriate action is taken when diversions to the charted course are required.

□ *Professor Abratt is a professor of marketing and director of academic programmes at Wits Business School; Bick is a senior lecturer in marketing at Wits Business School and Van Rensburg is a lecturer in marketing at Wits Business School*

Strategies for different market positions

- **MARKET-LEADER STRATEGIES:** Expand total market demand; protect market share through good defensive and offensive actions; increase market share further.
- **MARKET-CHALLENGER STRATEGIES:** Attack the market-leader or other organisations.
- **MARKET-FOLLOWER STRATEGIES:** Maintain the status quo through innovative imitation.
- **MARKET-NICHE STRATEGIES:** Dominate a market niche through specialisation

Benefits of marketing planning

- Greater profitability;
- Improved productivity due to: identification of opportunities and threats; specification of sustainable competitive advantage; preparedness to meet change; improved communication; reduction in conflicts among individuals/departments; involvement of all levels of management in the process; better resource allocation; consistency of approach; more market-focused orientation.

Marketing strategy

- Defines an organisation's activities for: competing in a product market; selecting markets and segments; and determining the marketing mix.

Marketing mix

- The set of controllable marketing tools that a company uses to pursue its marketing objectives in its target market.

Quotable quotes

- There is no resting place for an enterprise in a competitive society. — *Alfred Sloan jnr*
- Strategy is like trying to ride a bicycle while you're inventing it. — *Igor Ansoff*
- It's difficult to look further than you can see. — *Winston Churchill*

WHAT IT'S ALL ABOUT

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For those who missed the Module Three password for Financing your Venture, it is finance3

For more information go to www.sundaytimes.co.za/itsmybusiness, or call (011) 280-5216, Mondays to Fridays between midday and 2pm.

MODULE FIVE: Acquiring and Retaining the Right Staff

By Dr Rasoava Rijamampianina

Finding the right people who will help your business thrive

WOULD you agree that an organisation is nothing without its staff? If you do, then it would seem that the only sustainable competitive advantage an entrepreneurial organisation has is its staff, right?

The quality of an organisation is, to a large degree, merely the summation of the quality of the people it hires and keeps.

The acronym "RIGHT" is often used as a tool in making a decision about acquiring and retaining staff. The objective should be to hire people who have the *resources* needed; the *interest* in joining the business; *goals* that do not and will not interfere with business objectives; *human* and social abilities, including the ability to network; and, most importantly, *trustworthiness*.

The fact is, however, "right" candidates are in short supply. Moreover, research has found that most failed entrepreneurial organisations have been put out of business by their employees.

Having a dream team of the right staff does not just happen by chance. It involves human resource planning, screening, interviewing, checking references, hiring and retaining the right employees.

Entrepreneurs should do some human resource planning — assessing current and future staff needs — before they even think about hiring to ensure they get the right number of the right people in the right places and at the right times.

An important part of human resource planning involves defining jobs and the characteristics needed to perform them. Two important human resource documents are created with the information from the job analysis: the job description and the job specification. A job description is a written statement of the work done, how and why. It focuses on the job. The job specification states the minimum qualifications needed to perform a job successfully. It focuses on the person.

The foundation for successful human resources management lies in good planning.

To bring the right people into an organisation, you first have to find a pool of acceptable candidates. It is not enough merely to advertise for staff in a newspaper as the right people will not just come to you. You have to look for them.

Ways to do this include tapping into your personal and professional networks, contacting school placement offices, posting notices at senior citizen centres and using employment agencies or specialist headhunters.

Next you need to screen candidates. In an ideal world, you would be able to hire people with the skills you need and they would be productive from day one. But the world is far from ideal. Moreover, the demand for "right" workers far exceeds the supply.

One solution is to focus on the candidates' *resources* — that is, both the skills they have and their learning ability. In today's changing business environment, only organisations with people who are able to learn continuously will sustain the competitive advantage and survive.

Another approach to reduce turnover and heighten success is to measure the candidates' levels of *interest* and motivation. There is nothing worse than investing time, energy and money in a new employee only to see your efforts go to waste several months later because the person lacks interest and motivation.

Look for candidates who put a lot of research and effort into getting hired as they are likely to put these into the job too.

Knowing the *goals* that drive your candidates is also important. Indeed, sooner or later, employees will reduce their efforts if they see their goals as incongruent or in competition with the goals of the entrepreneur and the business. "Why bother?" will be their attitude. "It will not do any good to work hard."

Human and social relations and the ability to network are also important criteria worth considering in candidates. Networks can produce a source of valuable contacts, as well as a stimulus and source of new ideas. You may have two people with identical skills, competencies and résumés. A year later, one will have connected to the right information flows and will perform better — not because of ability but because of networks.

Moreover, employees are more loyal and perform better when integrated into a shadow organisation. Employees who are well connected in a social network are less likely to leave.

Trust is the cornerstone of any business and work relations. It is a crucial variable for entrepreneurs because of the nature and characteristics of entrepreneurial organisations.

There is no sure-fire way to know people's *trustworthiness*. Nonetheless, we all know that trust is significantly and positively correlated to loyalty. Would you agree that a person's loyalty can be guessed from their résumés (eg. frequency of job changes)? Of course, you have to listen to your gut feeling too. This is one of the most important decisions an entrepreneur makes. You will be working with this person and trusting them to deal with customers, handie paperwork, place orders and do other important tasks.

Terrific qualifications and references and a superb outlook do not say all things about an individual. To boost your chances of hiring the right person, develop an interviewing plan.

Begin by preparing a list of interview questions. Know what you are going to ask and what answers you expect. Most of the time, we do not get the information we need because we ask the wrong questions.

A list of questions will also keep you on track during the interview so you will not be distracted into thinking a candidate is right when, in fact, you have no real idea if he or she will fit into your business. Moreover, a list helps you to ask different candidates the same questions, giving you comparable information with which to evaluate them.

Structure your questions so that they require the interviewee to relate actual experiences. Spend 75% of your time listening and 25% talking. Take notes. It will help you to recall more accurately what candidates said and how they acted.

Regardless of how terrific a candidate seems, never hire after only one interview. Create other opportunities to spend time together. As it is said: "Repeated interactions reveal the unknown!"

It is estimated that up to a third of job applicants lie about their experiences and achievements on their résumés or in job applications. Moreover, some employees have significant work and personal problems.

A few phone calls to check out their claims could save you a lot of hassle later on. Ask specific questions about how the person worked with others, followed instructions or took the initiative. While some people may be unwilling to talk, try to elicit this information by outlining the job you are offering and then asking how the candidate fits that description.

Hiring is always risky. Even after carefully evaluating the information gathered in the selection process (screening, interviewing and checking references), things sometimes just don't work out.

Hiring determines whether your company will be successful, and it warrants as much research and planning as product development does.

Throughout the life of your company, you are going to be compensating for your staff's strengths and weaknesses. Ideally, they should provide a balance to your own strengths and weaknesses — a scenario much simpler to describe than to create. If you are building a company, you need the right staff with a right balance of competencies.

Take time during the hiring process to make wise decisions and to reduce your chances of making mistakes. By hiring the right staff, you have invested in the right intellectual capital (that is, human capital + knowledge capital). By losing such capital, you lose twice: you lose the intellectual capital you have had and you have to replace it with another one.

In addition, because the right employees are in short supply, companies compete as fiercely for employees as they do for customers. One way to deal with the tight labour market is to retain the right staff.

Effective human resource management can reduce turnover. Indeed, the ability to retain employees depends significantly upon the ability to manage them. Effectively managed staff are comfortable in the organisation and usually feel they own the business. Their levels of commitment and loyalty are high and they rarely try to find a way to leave the organisation of "milk and honey" (which can literally be translated as "health and wealth").

Effective human resource management considers the interdependence of four key processes: the motivational process, the interaction process, the visioning process and the learning process. These processes are interlinked and, therefore, affect one another.

If one element of one process is left out, it will obstruct the smoothness of the other processes. Knowing these processes and effective ways to manage them is crucial. The ability to keep an organisation's intellectual capital depends heavily on these conditions.

The key for retaining the right staff is the effective management of these four processes.

□ *Dr Rijamampianina is a senior lecturer in human resources at Wits Business School*

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WITS BUSINESS SCHOOL

Guide to hiring that won't end in firing

- Ensure the employment application has been reviewed by legal counsel;
- Try to meet the applicant face to face in private;
- Explain the information required;
- Tell the applicant to answer all the questions fully and accurately;
- Review the completed application carefully;
- Confirm the accuracy of addresses of relevant organisations/references;
- Determine the applicant's residence and how long he/she has lived there;
- Ask the applicant about any gaps in his/her employment history;
- Ask the applicant if you will need additional information such as name changes or nicknames to allow you to check references and work records;
- Review the applicant's educational training if it has a bearing on the position;
- Ask if the applicant has been convicted of a criminal offence; and
- If the job requires driving, ask the applicant for a valid driver's licence. (Check details with the traffic department.)

After the initial meeting:

- Contact the people given as character references and ask them how they know the applicant and for how long they have known them. Ask if their references are based on first-hand experience. Do you need to get more current references?
- Contact the people given as professional or employment references. Confirm that the applicant's past duties match those listed on the application and CV. Confirm length of previous employment and reasons for leaving. Find out if the former employer was satisfied with the applicant's performance;
- Confirm the educational information provided; and
- Review the application with other company decision-makers.

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MODULE SIX: Managerial Finance

By Mel Brooks

Keep an eye on the instrument panel or your business will grind to a halt

WOULD you drive from Johannesburg to Cape Town without a glance at your fuel gauge? When your oil pressure warning light flashes, do you turn a blind eye and drive on? Ignoring the instrument panel of your business will have much the same outcome. Sooner or later it will grind to a halt.

Many business owners are under the impression that the records and accounts of a business are kept to satisfy the tax man. They couldn't be more wrong. Sure, those returns have to go in every year, but the records also provide meaningful information that will help you to make better decisions about money and the future course of your business on an ongoing basis.

Information about the operations of your business in financial terms is recorded in the accounting system of the business. This system can be divided into two areas: financial accounting, which is the classifying and recording of the transactions of the business; and managerial accounting, which involves the analysis of financial information to enable planning and decision-making.

Financial accounting is a necessary process, required by law, and is best left to someone who understands the needs of the system. This is much like servicing your car — the mechanics and functions need to be checked at regular intervals, but it is best left to a mechanic. It will not pay you to get involved in the mechanics of doing your own books. Granted, you need to look at the historical performance of your business to assess progress, but your skill as an entrepreneur will be far better invested in the analysing process of managerial accounting.

Use the information as a starting point for planning where your business will go. This will become the basis for that very important planning tool, your budget.

You will budget for two things — cash and profits

Cash is the fuel of a business. You need it to get started, it's essential for ongoing operations and, ultimately, you want to have as much of it as possible at the end of the journey. But how do you keep your eye on it? What are the instruments that tell you how things are doing?

You need continually to compare actual receipts and payments with the cash flow forecast. Analyse past patterns of when cash comes in and when it goes out. Take note of the peaks and troughs. Borrowing now means paying interest later. Will that push the balance below the usual month-end trough and into the red? The business can't run on empty for long.

Liquidity is a vital gauge on your business's instrument panel. When that warning light flashes, you're in trouble. Reallocate resources. Buy stock that can be sold at a profit instead of that luxury car you've had your eye on. Get rid of old, unnecessary stock. Keep your cash flow forecasting realistic.

On the profit side you will need to compare actual performance (profit) to planned performance. What is profit? Very simply, profit is calculated by multiplying margins by volumes, and deducting costs. The margin is the difference between the selling price and the cost price of the product being sold. The volume is the quantity or number of units of the product sold. The expenses are those costs that it takes to run the business — salaries, rent, insurance. Margins, volumes and expenses are interrelated. Changing one affects the others.

Let's say you want to increase profit. Use a systematic approach to plan your course of action. Identify opportunities and options, make decisions, plan how to implement them and, most importantly, consider the consequences. To increase profit you could increase the volumes. Or, you could increase the margin by raising the selling price. If you decide to increase the volumes, how do you implement this? You'll need to produce more. That means more outlay on raw materials, possibly more staff, more deliveries. What are the consequences?

More staff means bigger expenses. More deliveries may mean buying an additional truck. In contrast, more raw materials may mean being able to negotiate a better price from the supplier. The end result should increase the profit.

But what are the consequences for the cash flow? Read the gauges! Is there fuel in the tank? More raw materials, staff and a truck means more money spent now, before the proceeds from the sales are accumulated. Is there enough money in the bank to cover this? You could consider borrowing money, but what about the interest? Be realistic! The increased expenses could wipe out all the benefits you set out to achieve. If this is the case, go back to the beginning and consider a different route.

To ensure the future success of your business, you need to plan the trip ahead. Use the information collected in your business to help you make informed decisions. A budget is not only an accountant's tool, it enables you, the owner, to explore the outcomes of the various scenarios you are likely to face. Making a profit is the aim of every business, and cash flow is the fuel that keeps it going on the journey towards making a profit. Consider the consequences in cash flow and profit for every decision you make.

Another route to increasing profit is to decrease expenses. You need to control current expenditure at all times. Don't be seduced by that call offering you a bigger computer, better shop fittings, that web page — all at a never-to-be-repeated price, of course. Will it make a difference to the bottom line? It will certainly look good, but will it be productive? Status seldom puts money in the bank. Use figures rather than emotions to help you make decisions.

Making money in a business is one thing, collecting it is another. Sales figures may look good, but when is the money coming in? Credit control is not something to be left to a clerk every now and then — it's your money. You need to decide when to grant credit and when you need those accounts to be paid. Establish a clear policy and see that it is implemented. Far better the money in your bank than in someone else's. Take note of warning lights and keep on top of the situation.

There is a final gauge to be watched — return on investment (ROI). You probably put money into the business to get started, as did others. Is that equity growing or is it slowly being eroded by poor money management? You started the business to make money. Make sure that's happening.

Managing the financial side of your business means constantly checking all gauges — and analysing the implications of each reading. Use the information to make decisions, implement changes and ultimately reach your destination of a profitable and sustainable business.

□ Brooks is a senior lecturer in finance and accounting at Wits Business School

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The course runs from September 30 to December 2 and consists of 10 modules. All those who have registered for the course have received a student number which gives them access to the course on the Internet.

A general-interest article by the Wits Business School experts on the course modules appears in the Careers section each week during the course. A password published each week with the weekly article will enable students to access their course modules on the Internet or CD-ROM.

Those who pass the exam with 50% or more can receive a certificate.

For more information see www.sundaytimes.co.za /itsmybusiness

If you have any queries, call (011) 280-5216 between midday and 2pm, Monday to Friday.

Sunday Times

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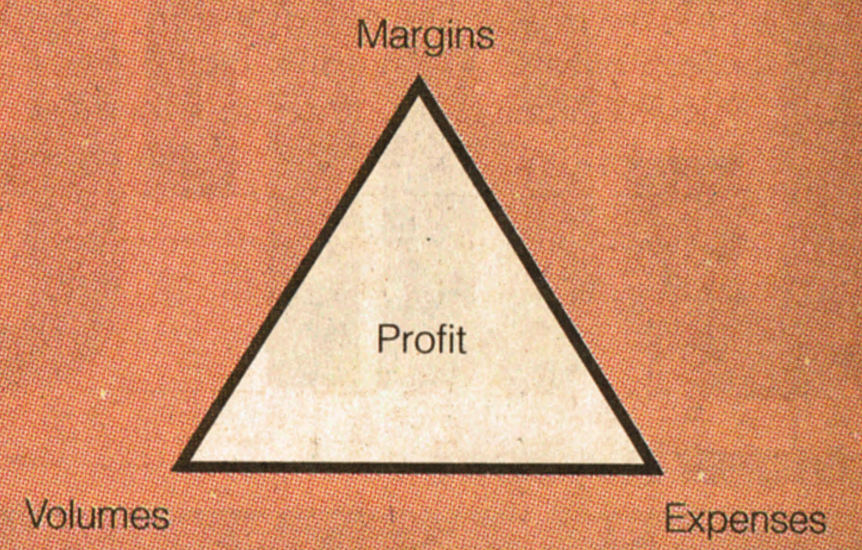
WITS BUSINESS SCHOOL WBS

Five vital areas to consider in managing your finance

1. The effects of changing any of the three elements of the profit triang

Profits = (Margins x Volumes) - Expenses



Make sure that you understand the cause and effect relationship between margins, volumes and expenses in your business. Buying i bulk may be cheaper and give you bigger margins - but what of the holding costs, interest, insurance etc.

2. Money owed to you

Track your 'debtors days'. The higher the number, the longer people are taking to pay you.

$$\text{Debtors days} = \frac{\text{Debtors} \times 365}{\text{Sales}}$$

Don't collect sporadically - be a consistent collector and get your customers accustomed to paying on time. It's your money, make sur you get it.

3. Cash tied up in slow-moving, old or surplus stock

Use information to identify slow-moving items.

$$\text{Number of days sales of stock being held} = \frac{\text{Stock} \times 365}{\text{Sales}}$$

Calculate the figure for each of the different categories of stock you hold - an average based on the totals could be misleading. Get rid o unnecessary stock. Use space and cash for maximum return. Remember the holding costs and the risk of accumulating stock you can't sell.

4. The liquidity of your business

$$\text{Liquidity Ratio} = \frac{\text{Cash} + \text{Debtors}}{\text{Current Liabilities}}$$

An answer less than 1 could mean that you will be unable to meet your debts as they fall due. Don't drain your cash by purchasing unnecessary fixed assets or paying too soon and collecting too late.

5. Salary and perks for yourself as the owner

Calculate whether the cash situation can justify your desires. That luxury car could be one thing too many. Look at the implications of your choices in terms of the long-term health of your business. Status doesn't pay the bills.

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MODULE SEVEN: Sales Management

By Professor Russell Abratt, Geoff Bick and Helen van Rensburg

Good salespeople hold the key to success for smaller enterprises

THE selling and sales management functions play an important role in any organisation. Most organisations find it impossible to market their products and services without some form of personal selling. Sales management is the management of this function in the organisation's marketing programme.

Salespeople are normally responsible for the following:

a) They implement the company's marketing strategy and thus play an important role in the action plans and tactics of the organisation. This is even more important in a small enterprise, where the same person may be responsible for the marketing strategy and its implementation.

b) They represent a number of stakeholders at the same time. They represent their firm to the customers and the customer to the firm; they represent their firm to society in general; and they represent their sales manager to the customers.

c) They usually operate away from the organisation for most of the time and therefore require a high level of motivation, compensation and control to do their job effectively.

A professional salesperson has two dominant characteristics. He or she has excellent product knowledge and some form of creativity. He or she also understands customer needs and develops relationships with his or her clients, based on mutual trust and honesty. Good service is very important, and smaller companies can compete with larger ones by providing much higher standards of service.

The selling process starts with finding new customers. This is called prospecting. A prospect is a qualified person or business that has the potential to buy your product or service. It is therefore important to find out if the prospect has a need for the product, the authority to take decisions, and the financial ability to acquire the product.

The second step in the selling process is the sales presentation.

A sales presentation is the vehicle for conveying to a prospect or customer an understanding of something the salesperson is trying to sell. The presentation can be in words and enhanced with audiovisual aids, samples, models or other visual aids.

The third stage in the selling process is to know how to handle objections. During the sales presentation, a customer may object to some of the points made by the salesperson. Objections can be defined as statements or questions that indicate hesitation or an unwillingness to buy. The salesperson who can overcome objections and move back into a presentation can expect to succeed.

Salespeople must learn how to overcome objections. One way is to acknowledge the prospect's viewpoint, rephrase the objection into a question and then obtain agreement on the question.

The last step in the selling process is closing the sale. Closing is the process of helping people to make a decision that will benefit them. To a large extent, closing the sale, or getting the order, is the main part of the salesperson's job. Very few customers volunteer orders — they have to be asked for their business. Salespeople must read buying signals. A buying signal refers to anything a prospect says or does to indicate that he or she is ready to buy. Examples of buying signals are when the prospect says: "How much is it?" or "Which colours are available?"

Salespeople can learn a number of techniques to help them close the sale. They earn orders by professionally taking all actions needed to persuade a prospect to become a customer.

Because the job is a complex and challenging one, salespeople must be managed effectively to meet the company's objectives. The sales manager's job is the creation and management of a sales programme, which requires a full range of capabilities.

This requires a number of steps, the first of which is the definition of the role of sales in the organisation's marketing strategy. Sales is only one element of a firm's promotional mix. The other elements include advertising, sales promotion, public relations and direct marketing. In some companies, advertising may be more important than selling, so it must be made clear what role each element plays in achieving the firm's objectives.

In smaller organisations, selling is usually the most important element in the promotion mix because relationships can lead to more sales.

The second step in sales management is to measure the sales potential by using forecasting and budgeting techniques. The most important function of forecasts is that they provide a basis for planning. Once the sales forecast, the market analysis and the sales objective have been clearly defined, the sales manager must decide how his or her department's resources and effort should be allocated. This leads to the preparation of budgets for the sales department.

Step three is to organise the sales organisation in the context of the total marketing function of the firm. Many Southern African companies are moving away from transaction-orientated selling strategies towards relational-oriented selling strategies.

Key account management is a strategy used by organisations to serve high-potential accounts with complex needs through a carefully-established relationship. The key is good service — smaller organisations often provide better standards of services than larger companies.

The fourth step involves the recruitment and selection of the right people for the selling task. Recruiting and selection should be preceded by a great deal of thought and planning. Sales managers must be prepared to devote sufficient time to the process if they hope to reap the benefits of a good recruitment and selection campaign. In smaller companies, many of the salespeople are family members. They sometimes work much better as a team than salespeople in larger organisations.

The fifth step must ensure that the sales force is adequately trained for the tasks ahead. An assessment of training needs has to be completed in order to maintain a high standard of skills in sales techniques and product knowledge.

The sixth step is to motivate and compensate the sales force. The sales force relates to the people implementing a firm's marketing strategy, which means that compensation is a critical element in motivation.

The seventh step is the design of sales territories and the allocation of salespeople in these areas. This is an important step because it influences market coverage, workload equalisation, sales force morale and evaluation. Smaller enterprises usually operate in smaller regions, so the allocation of areas to salespeople is relatively easy compared with large firms.

The eighth step is to lead and supervise the sales force. This implies a thorough understanding of human behaviour and motivation. If the sales manager does not identify the needs and aspirations of his or her sales force and fails to provide leadership, the result will be low morale and lower sales productivity.

The last step is to evaluate sales performance. This involves finding out what happened, finding out why it happened, and deciding what to do about it. It is important for salespeople to meet their sales targets as this determines the success of the firm.

Always remember that selling and sales management are vital functions in an organisation. It is important to always perform these in a professional manner. It is one way a smaller firm can compete effectively with a larger company, by providing quality service on a personal basis.

□ *Professor Abratt is a professor of marketing and director of academic programmes, Bick is a senior lecturer in marketing and Van Rensburg is a lecturer in marketing at Wits Business School*

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WITS BUSINESS SCHOOL

What a typical salesperson does

SELLING	SERVICE	SUPPORT	SELF-DEVELOPMENT
Plan sales calls	Provide advice to customers	Gather marketing intelligence about customers, competitors and markets	Go on training programmes to renew selling skills and product knowledge
Look for new customers	Set up merchandise displays	Work with other departments in the firm when necessary	Participate in sales meetings
Make sales presentations	Count stock	Help plan sales and marketing strategies when asked to do so	Participate in the professional selling association meetings
Handle customer objections and complaints	Merchandise the shelves	Help train new or inexperienced salespeople	
Take orders from customers	Arrange for in-store displays, brochures, and co-operative advertising		
Socialise with and entertain customers	Help train retailer sales staff		
Participate in trade shows			
Collect cheques from customers			

What a typical sales manager does

DEFINE THE ROLE OF MARKETING AND SALES MANAGEMENT

PLANNING THE SALES EFFORT

FORECASTING AND BUDGETING TECHNIQUES

ORGANISING THE SALES FORCE

RECRUITING AND SELECTING THE SALE FORCE

TRAINING THE SALES FORCE

COMPENSATING THE SALES FORCE

DESIGNING SALES TERRITORIES

LEADING AND SUPERVISING THE SALES FORCE

EVALUATING SALES PERFORMANCE

COURSE ACCESS FOR REGISTERED STUDENTS

All registered student can access Module Seven at www.sundaytimes.co.za/itsmybusiness by using their student number and the following password: 7saleman

The module can also be accessed with this password by using the CD-ROM.

For those who missed the Module Six password for Managerial Finance, it is mng6fin

The CD-ROM can be purchased from TOTAL La Boutiques countrywide at R109.95.

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MODULE EIGHT: Human Resource Management


By Jonathan Cook and Caryn Conidaris

Performing through people

A SUCCESSFUL business needs the right people ... at the right time ... doing the right work ... to meet the overall business objectives.

The moment you take on staff, the management of people becomes a critical factor in the success of your business. Your success lies at least partially in the hands of other people. The wrong people can kill a business, and even the best people managed badly can cost you millions in lost opportunities.

The next major milestone is when the number of your employees exceeds the number you can relate to personally on a daily basis. Do you continue to manage the whole organisation yourself, or do you bring in a professional manager? How many people do you need? Who should report to whom? How can you be sure they are all pulling their weight? What can you do when the wheels fall off relationships? How can you avoid falling foul of the myriad laws governing employment?

In this article we look at how to ensure your people unlock the value in your business.

Growing your business through people

There is no fixed rule for designing your organisation; it needs to suit your strategy. If possible, keep it simple and flexible. Think about where additional staff can add most value, what skills you will need in two years' time and what impact different business conditions will have.

Consider the impact of who reports to whom, who shares offices, and who should be a team.

Many companies keep their overheads low by employing temporary contract staff for peak periods. It is also often economical to outsource functions when you cannot afford to employ the expertise you need.

If you have to supervise people closely, you should not try to manage more than six to eight people directly, but the more professional or self-reliant your people are, the less you should interfere and the flatter your organisation can be.

Bringing in new people

First impressions count. From their first hour, your new recruit should understand exactly why they are here, what they have to do, with whom they have to do it and where the fun is. When inducting new people, surprise them with your welcome and you've won half the loyalty battle already.

Every employee should have a contract of employment which states their conditions of service, and roles and responsibilities.

Managing the energy

One of your tasks as the leader is continually to watch and build the energy among your people. It's the fuel in the vehicle of your business.

You can build energy by:

- Relentlessly, insistently and repeatedly talking about your vision for the business and the key factors that will determine its success. Jack Welch never had more than three focus points for General Electric;
- Setting an example of enthusiasm;
- Recognising and affirming success. Both success and failure are self-reinforcing cycles, so it is very much in your interest to draw everyone's attention to success. When people fail to perform, deal with it with them only and immediately;
- Listening closely. If your people believe that you respect them and their opinions, and that you accept and acknowledge their good ideas, they will follow you anywhere;
- Acting immediately to resolve any conflict between members; and
- Building trust by being consistent. Uncertainty and discouragement kill energy.

Slave driver or shepherd?

If your business entails building pyramids using slaves, a whip might be a handy management tool. But in most businesses, the things you most want your people to do well are things you can't see — like thinking creatively, treating customers with respect, taking responsibility and anticipating problems. These are things that only happen if your people really want to work well.

Here are some ideas for managing performance:

- Make sure staff know what to do. If they are unsure, be very explicit. If they are already experts, demonstrate your trust by getting out of the way. Set goals for everyone, including yourself!
- Make sure consequences follow performance, whether positive or negative. Make sure everyone fully understands the connection;
- Measure the things that are important to you. Don't measure what doesn't matter.

Paying for performance

Your remuneration strategy should be designed to attract the right talent to your business, to keep people from looking elsewhere and to motivate them. Most organisations today have a fixed amount of guaranteed pay and a variable amount of performance-related pay.

Pay levels can be ascertained by phoning around in the industry, asking employment consultants or, if you can afford it, taking part in a formal salary survey.

If you are not sure how to run an incentive scheme or performance-based pay system, be very careful. Salaries can be hugely controversial, and the first hint of unfairness can blow the team apart. The safer option would be to pay your people well and fairly, and rely on the intrinsic rewards of the satisfaction of a job well done plus recognition from you and peers.

But most people want to share in the fruit of their hard work, and some form of profit share can be very motivating. In designing the scheme, be careful what you measure and reward. If you reward quantity, you will get it, but maybe at the cost of quality. If you reward individual performance you may destroy teamwork. If you are the one who decides who gets what, know that it will have a very powerful effect on how people relate to you — usually for the worse. The simplest and safest arrangement is to give each person a pre-determined share of profit.

One small company in Johannesburg had all staff rate the performance of all other staff. Profit shares were then tied to this rating. It resulted in a high level of motivation and accountability, as they worked together to build profit and demonstrate their contribution to it.

There are other ways of rewarding people, like employee-of-the-month schemes, weekends away, gift vouchers, and so on.

Sharpening skills

Hardly anyone arrives perfectly trained for a role. Train initially in terms of your business standards, way of doing things and expected outcomes. Training develops a productive workforce, which will impact on the success of your business. Training does not just mean courses; there are various ways of training people, such as peer training, reading and mentoring.

Developing the future through people

The Skills Development Act ensures that employers recognise their responsibility continually to expand and develop the knowledge of their employees. Your business needs to play a role in developing employees to meet the performance standards of tomorrow. Everyone needs to be developed in some way. Current thinking is that the competitive advantage of any business is to learn quicker than the competitors.

Managing whole people holistically

An unhealthy organisation not only doesn't abide by health and safety legislation but creates too much stress on employees. The HR wellness of people can be managed by preventative education and, failing that, corrective action. It is best to refer to a professional any problems that affect work performance, such as substance abuse.

Managing information about people

Legally, you have to keep a file with certain details on your employees and manage their leave. When your business is small you can manage this on an MS Excel or Access file, but as your business grows you may have to buy a Human Resource Information System, which can also manage your payroll. You can consider outsourcing all of these.

Relationship rescuing

Good relationships are enhanced by continuous communication and feedback. People should take part in and be informed about decisions all the time. Conflict is inevitable and is neither good nor bad. Encourage openness and conflict resolution.

The Labour Relations Act is concerned with the systems, rules and procedures to protect employees' and employers' interests and to regulate the way in which employers treat their employees. It is also concerned with the roles of the parties involved in the system — management, union officials, shop stewards and employees and the state.

Employees are entitled to join unions or organise to protect their interests. It is wise to keep communication channels open to avoid falling into formal conflict.

Fighting fair

You cannot just fire someone! Disciplinary steps for misconduct or incompetence, including dismissal, can be taken, but they require being able to demonstrate that you have followed due process to the letter. You need to have records that show that you have given the person every reasonable opportunity to meet the requirements of the job and develop the required competence.

Retrenchment refers to terminating an employment contract because the job is no longer required. Once again, there are procedures to follow. It is worth the cost to get expert advice on these matters. Failure to follow procedures can be costly if the employee takes steps.

Keep it legal

Labour legislation requires that both the procedure and the content of people issues are fair and equitable. The Department of Labour is entitled to inspect your premises to ensure you are meeting legal requirements. And, of course, employees can take you to court. Many businesses have had to reinstate dismissed workers or take other very expensive steps.

This labour legislation points to the range of legal requirements as specified in the Skills Development Act, Workman's Compensation Act, Regional Services Council Levies, Unemployment Insurance Fund, Health and Safety Act, Labour Relations Act, Basic Conditions of Employment Act, Employment Equity Act and Employment Tax Act.

Fortunately the Department of Labour's website is really helpful. It contains and summarises all legislation governing employment, and provides a number of sample forms and other resources.

Conclusion

Managing other people can be a dreadful distraction from the work you enjoy — or it can be the most fulfilling part of your career. If you can see your staff as partners in your mission, highly gifted people whose talents are just waiting for an opportunity to be expressed, you will find that the true wealth of your business does in fact lie in your people. A genuine personal investment in the lives of your staff will be rewarded by incredible loyalty and the kind of commitment that creates miracles.

Cook is a senior lecturer in management development at Wits Business School. Conidaris is a part-time lecturer at WBS and MD of The Human Resource Practice

Sunday Times

IT'S MY BUSINESS

The 10-step entrepreneur's programme that gives you the tools to succeed

LIBERTY

WITS BUSINESS SCHOOL

WHAT IT'S ALL ABOUT

"It's My Business" is a free 10-week entrepreneur's course provided by the Sunday Times with Wits Business School.

The course runs from September 30 to December 2.

All registered students can access Module Eight at www.sundaytimes.co.za/itsmybusiness by using their student number and the following password: manstaf8

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For more information go to www.sundaytimes.co.za/itsmy business or call (011) 280-5216 between midday and 2pm Monday to Friday.

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MODULE NINE: Technology and Customer Relationship Management

By Professor Koos Koen

Hi-tech way to win clients

IN THE 19th century companies were product-driven, with great emphasis on what they sold — take it or leave it. During the 1950s companies became sales-driven, with their focus on advertising and distribution. In the 1980s the emphasis was on database marketing, with innovative direct-marketing, sales and distribution services.

Over the past few years all successful companies have focused on their customers' requirements. Within the next few years we will see the emergence of the real-time company, able to implement innovative ideas quickly and integrated with suppliers and customers globally.

This move has been driven mainly by the following strategic factors:

- Customers are looking for innovative new product selection, buying and delivery services;
- Customers are demanding quality products and higher levels of service;
- Customers want to do business on their own terms — for example, 24 hours a day, seven days a week;
- New marketing channels such as the Internet and mobile telephony have opened up;
- It has become more difficult to keep clients — "the competition is a click away";
- Deregulation and globalisation have created more competitors;
- Customer buying patterns and product demands have become more sophisticated;
- Acquiring and servicing customers has become more expensive. Obtaining a new customer costs up to five times more than keeping one;
- Customer profitability has become critical in many companies' efforts to maintain profitability.

These factors have driven organisations to develop tools and processes that will focus on the customer value chain, with the main objectives being to increase revenue and decrease operational costs, and "the cost of the transaction" becoming the most important metric.

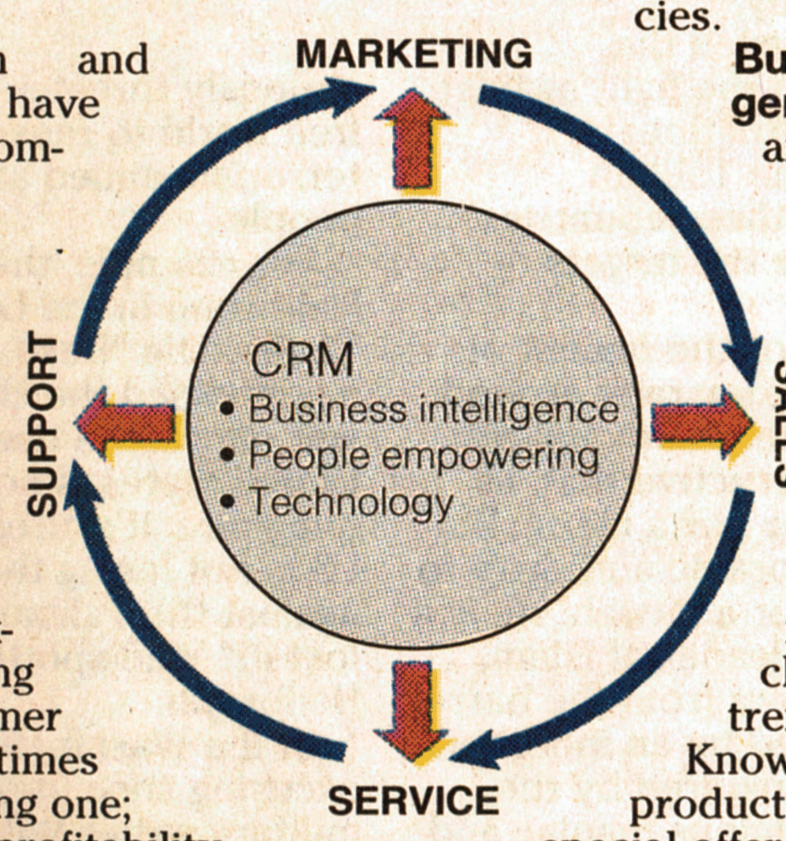
One of the most powerful concepts being implemented by businesses today to satisfy the above demands is "Customer Relationship Management" or CRM.

CRM is a philosophy and strategy that will enable (1) people, (2) technology and (3) business processes to acquire and keep customers.

Because it is a business-enabling process, CRM is for all businesses, big or small, old or new. It is a concept, supported by innovative tools, that can be applied to explore the customer's value life cycle. The figure below shows the customer life cycle and the applications supported by a typical CRM implementation model.

In supporting the customer life cycle in terms of marketing, sales and support, the following approach is suggested:

- Create a CRM business intelligence capability that will support your business plan and customer management strategy;
- Empower your people to support the above strategy by enabling them to achieve their marketing, sales and service targets;
- Implement the correct technology tools to enable your business to achieve the above objectives and to improve operational efficiencies.



Business intelligence is the basis of any CRM initiative and should cover the following key elements:

- Knowledge about your products' target market, pricing and profitability, lifetime, marketing and sales channels, and sales trends and statistics. Knowledge about new products or releases and special offers and discounts.
- Knowledge about your customers — including contact details; their preferences, requirements and priorities; their ages, gender and buying power; their lifecycle value; their buying trends; and their service history.
- Knowledge about your competitor. This involves listing your competitors and their advantages and weaknesses; and comparing prices, market share and positioning.
- Information on your business's mission and strategy, your marketing and sales strategy, your company structure and responsibilities, and customer care services.

This information is vital for any successful CRM implementation and should always be up to date and relevant. It is possible to obtain customer databases and information from third-party companies.

The **people** aspect to CRM forms the most important part of a successful CRM implementation — we call it the "soft issues". The people are the real interface with the customer and can never be replaced by technology. The technology is only a powerful tool to empower the people to provide a better relationship with their clients.

The passion and commitment of the people in your company is called your "emotional capital" and successful companies today see it as their biggest competitive advantage and differentiator.

Create a culture within the whole organisation that is totally focused on the customer.

Develop all your staff's knowledge and passion for your products and offerings.

Train your staff in good customer relations and manners.

Empower your staff with the required business intelligence and enabling technologies.

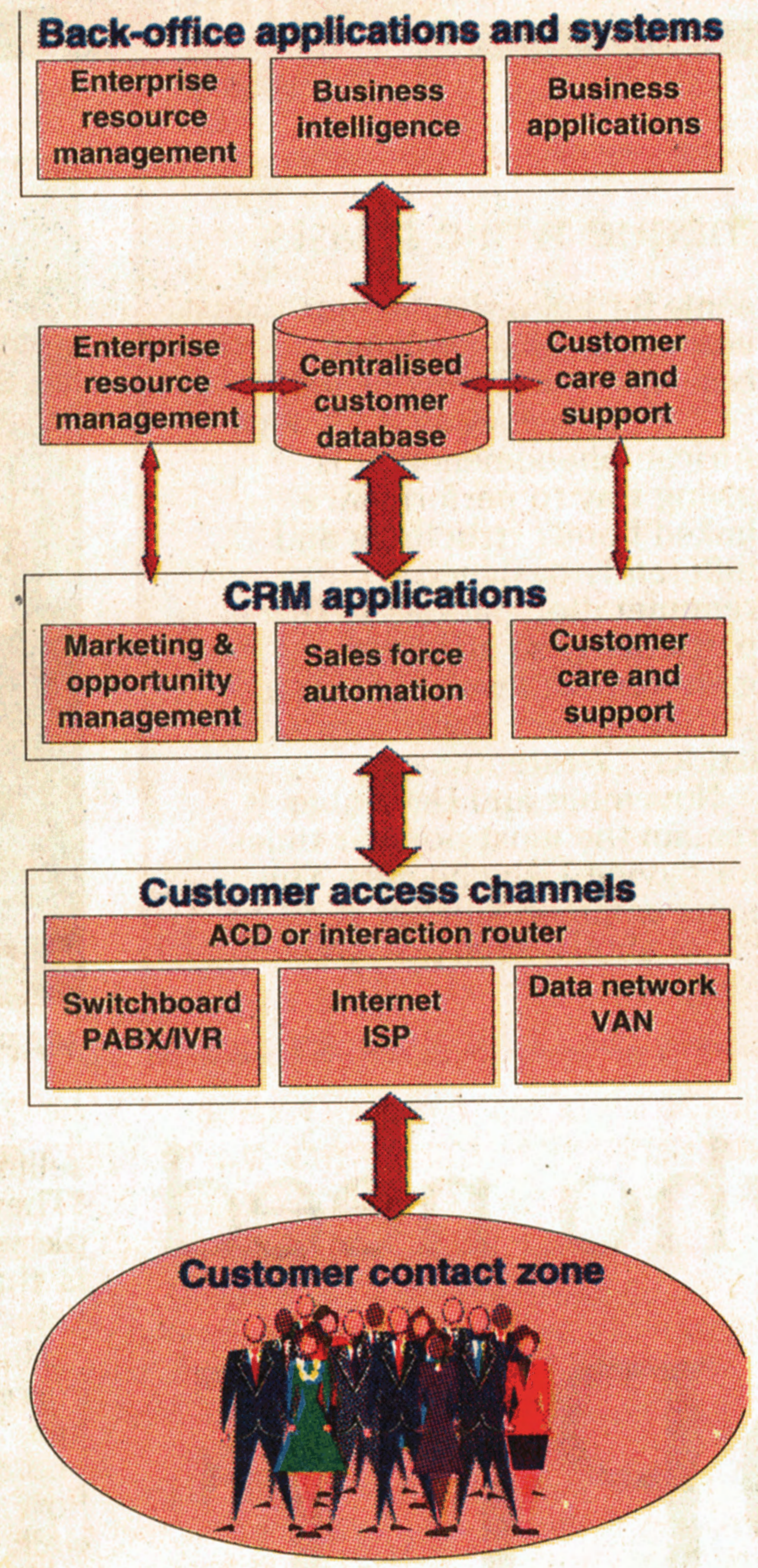
The enabling **technology** critical to CRM is collectively called the Information and Communications Technologies (ICT), with a centralised and detailed customer database forming the heart of the system.

ICT is the most powerful business tool today and organisations both big and small who do not support the new enabling technologies will not survive.

CRM enabling technologies can be grouped into two main functional domains: (1) The front office, or CRM applications that have been integrated with a customer database; and (2) Customer contact and access channels. CRM applications and customer contact are specially developed to support the customer lifecycle as shown in the diagram.

Some vendors of CRM solutions concentrate only on the customer services domain, some concentrate only on marketing and sales, and some only on communications. However, some of the larger suppliers offer solutions that cover all CRM applications.

The functional model (see above right) has been developed and will be described:



WHAT IT'S ALL ABOUT

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For those who missed the Module Eight password for Human Resource Management, it is manstaf8

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Marketing Management

The marketing automation should closely follow your business plan in terms of target markets and product launches. The following functions will be supported by the Marketing Automation system:

- Creating customer database content with the "business intelligence" as described above;
- Creating and managing customer profiles;
- Creating customer and database segmentation and listings;
- Launching of online database marketing campaigns.
- Controlling permission-marketing members; and
- Creating, tracking, analysing and reporting on all campaigns.

Sales Force Automation (SFA)

The main functions of SFA are to automate the creation of all opportunities and accounts and to manage all customer contacts and activities. An SFA system normally follows a sales methodology such as Miller Heiman's *Strategic Selling®*.

An SFA system supports the following functions:

- Developing, managing and tracking quotes, presentations and proposals;
- Assisting with detailed pricing, discounts and pricing rules;
- Managing all customer contacts and campaigns;
- Managing correspondence with customers;
- Controlling the dissemination of sales and marketing material;
- Coordinating all sales campaigns to targeted customers;
- Managing the sales pipeline and forecasts;
- Generating detailed sales analysis reports and charts;
- Providing a comprehensive Management Information System; and
- Integrating with marketing and customer support systems.

Customer care and support

Sometimes called the customer care line or hotdesk, this function forms the main contact with the clients in handling inquiries, complaints and problems. The main functions are:

- Event and problem management, tracking and resolution;
- Escalation of serious problems to higher authorities;
- Managing all Service Level Agreements;
- Real-time reporting on all outstanding problems; and
- Analysis of incident statistics and reporting on quality of service.

Customer access channels

Within a CRM implementation, customer communications consist of two main functions — the interaction routing and the customer access channels. It is important that your customer contact is achieved via his or her preferred channel, for example, the telephone, personal contact, letter, e-mail.

Second, the interaction or call must be routed to the person in the company empowered to handle it successfully. It is therefore necessary for you to establish your customer and marketing needs.

Implementation strategy

The way CRM is implemented is the key to a successful and profitable customer relationship implementation. Many implementations have failed because business processes, change management and technology enabling have not been addressed properly. There is nothing complicated in CRM technology. It's not a big deal. It's how you apply it that counts. Adaptation of technology is more about human change than technology change.

With this strategy in mind the following implementation tactics should be followed:

- Define an implementation plan that will support your customer strategy in terms of increased revenue, quality of service and cost effectiveness;
- Manage the implementation as a business project and with top management's involvement; and
- Follow the 12 rules listed in the sidebar.

Conclusion

CRM is seen as one of the most important business tools available today and provides the necessary competitive edge in the new economy.

□ *Professor Koen is a visiting professor in e-business at Wits Business School*

MODULE TEN: Exit Strategy

By Professor Mike Ward

A guide to crossing to the big time without going bust

MOST entrepreneurs never stop dreaming of the future. They are driven by the thought of hitting the big time: establishing themselves, franchising their idea, selling their business, listing on the stock exchange, going global . . . and retiring wealthy to write their own version of *I Did It My Way*.

We do not, of course, want to discourage these aspirations, but planning ahead and considering what it really takes to make it can only help in turning dreams into reality.

Before expanding on the subject of hitting the big time, however, it is worth considering the alternative.

Growth is not the primary objective of any business. It is quite possible to be wealthy, successful and content by choosing not to grow. Of course, this goes against all the instincts of most business gurus. But, by deliberately choosing to remain focused, you can easily avoid the problems associated with large businesses and rapid growth.

Research clearly shows that it is quite viable to remain profitable in a small niche of the market, and business history is littered with the wreckage of initially successful entrepreneurs who tried to cross the divide into the big time.

One of the most telling examples of a business choosing to remain niched is an enterprise manufacturing leather garments, Hudson Leather Jackets, of Ohio in the US.

HLJ makes custom leather jackets and pants, and is highly regarded among the American truck driving fraternity. But HLJ defies normal business wisdom.

The company was started by Tomas Hudson and is currently managed by his son Zak. It involves several members of the family. Every year HLJ makes approximately 1 500 items, jackets and pants. Each piece is carefully handmade to fit.

Demand significantly exceeds supply, and Tomas Hudson, who still supervises sales, is not averse to sending demanding customers elsewhere if they are not prepared to wait their turn, typically two or three months!

When questioned why the business doesn't simply expand, Zak Hudson has a ready response: "Why should we? We do pretty well, and if we grew we'd have to have different levels in this company, managers and workers, and we don't want that."

Of course, South Africa is replete with successful family businesses which have made it into the big time: Pick 'n Pay, De Beers, Anglo Vaal and many others.

But there are many instances where the next generation have simply lacked the vision, skills, opportunities or drive of the founder.

There is often considerable pressure on the second or third generation to take over the helm, despite their lack of interest or ability. There is a wealth of information and research dealing with the specific problems associated with family businesses.

Growing your business will require resources, particularly capital. There is a rate at which a business can successfully grow without external funding — we refer to this as the "sustainable growth rate". Once the sustainable growth rate is exceeded, the business will require additional capital, either in the form of increased bank loans or shareholder capital — typically both.

Investors will usually be reluctant to supply capital to the enterprise unless there is a reasonable expectation that their investment will ultimately generate a worthwhile return. This is an imperative.

Many businesses do have the potential to expand, and there are often additional excellent reasons to grow. Many of these are obvious: creating employment, enriching stakeholders and meeting demand. However, perhaps the most important reason to expand is to restrict competition. If you do not meet demand at a reasonable price, you are simply inviting competition.

Furthermore, research shows that the more you perform a service or function, the better you become and the cheaper your cost structure. Academics refer to this as the experience curve.

There are also, typically, economies of scale, especially in relation to fixed costs. One doesn't necessarily require a second accountant when sales double, for example.

However, there are very real problems associated with growth. As the business expands, more controls are required. Because one cannot do everything oneself, it is important to train, empower and manage increasing numbers of employees.

It becomes important to establish policies and procedures. Some level of bureaucracy is inevitable.

Regrettably, many entrepreneurs do not make good managers. Characteristics of theirs which initially created the successful operation — the drive, the ability to make quick decisions, the customer orientation and so forth — are not always apparent in employees, much to the entrepreneur's chagrin.

Managing a larger business requires a different set of skills and a different temperament. Failure to recognise this leads to frustration, conflict, unproductive tension and an unhappy, unproductive culture.

Hitting the big time can be achieved in many ways. Perhaps it might involve selling the business as a trade sale. (A sale of the business to a competitor — someone already in that line who understands all the ins and outs.)

Franchising the business model is another alternative. Many successful entrepreneurs aspire to a listing on the Johannesburg Securities Exchange.

The big time could also be achieved through a partnership with a private equity investment fund. The latter two options are both mechanisms for attracting significant amounts of capital. The JSE has several onerous requirements which must be met before a listing on the main board will be approved. Private equity funds can provide an attractive interim facility.

The critical success factors for all of these are initially identical. To begin with, the business must have a successful track record, and there is only one way to achieve this. It must be painstakingly earned. Without a successful track record the business will never attract serious capital.

A track record, by definition, requires a track. If the financial information is not reliable, complete, accurate, audited and up to date, then the track is too faint. This applies to all the records, documentation, legal agreements, title deeds, inventory and accounting information. Do not cut corners in this regard.

It almost goes without saying, but the next critical success factor is management. Good ideas abound, but good management skills are scarce.

There must be a depth of talented management ability in the firm, and this must be carefully cultivated. Most investors will want to see that the management team remains with the business as it enters deeper waters.

Since it is typically impossible for outsiders to fully comprehend the inner complexities of a business, despite an in-depth audit or due diligence, it is essential that managers exhibit integrity. Most external investors invest on the principle of "faith". Faith comes from evidence.

Naturally, there are other critical success factors. The business strategy must be sensible, sustainable and credible. Typically, investors prefer tangible assets, positive cash flows and increasing earnings.

However, fast-growing businesses will, of course, anticipate negative cash flows. This may well be the reason they are seeking capital. If this is the case, investors will require even stronger evidence that management are capable, and that the business strategy is sound. (Having said this, of course, many of the dotcom companies listed on the NASDAQ in 2000 did not meet these basic requirements yet investors still invested.)

Finally, entrepreneurs need to understand that timing is everything. Investor sentiment is fickle. Markets go through unpredictable cycles and it is important that the business peaks at the right moment.

Regrettably, many entrepreneurs are reluctant to give up a part of their business, at a reasonable price, when the opportunity arises. It is risky to wait until one desperately needs capital. Far better to give up some upside potential earlier if the moment is right.

Investors, like bankers, do not like to lend umbrellas when it is actually raining!

□ *Ward is professor of finance and the director of Wits Business School*

Sunday Times

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LIBERTY

WITS BUSINESS SCHOOL WBS

WHAT IT'S ALL ABOUT

"It's My Business" was a free 10-week entrepreneur's course provided by the Sunday Times in partnership with Wits Business School. It ran from September 30 to December 2 and consisted of 10 modules.

Twenty-six thousand people registered for this course, which was sponsored by the Liberty Foundation. Fifteen thousand of these received a free CD-ROM of the course.

The passwords to access the nine previous modules are:

Module One: ideas1op
Module Two: 2strat3g
Module Three: finance3
Module Four: mark4str
Module Five: ret5staf
Module Six: mng6fin
Module Seven: 7saleman
Module Eight: manstaf8
Module Nine: knowman9

For more information see www.sundaytimes.co.za/itsmybusiness

Should you have any queries, call (011) 280-5216 Monday to Friday between midday and 2pm.

Critical considerations for the future

Learn to love professionals

Entrepreneurs are often derogatory about professionals, with lawyers, accountants, tax experts and auditors the butt of many jokes. But if you wish to hit the big time you will need them. If you hope to attract capital, sell shares, acquire companies or broaden your markets, you will need independent expertise. This is the domain of professionals. Their role, in essence, is to assure others of the credibility, worth and integrity of your business, and to advise you and protect you from predators.

Nurture managers and leaders

Hitting the big time means letting go. It is impossible for any one individual to run a big business successfully. You need others. You need to attract, empower, nourish and reward outstanding managers and leaders. This requires deliberate team-building. Find managers and leaders. Teach them. Empower them. Reward them. And LET GO.

Margin protection

These are buzz words which encompass several issues in a fundamental concept. Hitting the big time is the metaphorical equivalent of leaving the harbour for the sea. Security is found in ensuring that your margins are secure. To achieve this, you will need a sustainable strategy, with a distinct product or service in a defined market. If you cannot clearly and honestly identify these qualities then it is likely that your customers will also fail to see what value you provide, and you can be certain that your competitors will exploit every opportunity.

Don't be greedy

Whether you plan to list your company on the JSE, find a private equity partner, franchise your idea or sell your business, it is best not to be too greedy. You will find that the goodwill you generate by valuing your business conservatively will be repaid by those who share a profitable future with you. If you set the price too high, you rape the fertile ground of future opportunity.

COURSE ACCESS FOR REGISTERED STUDENTS

All readers who have registered for The Sunday Times "It's My Business" course can access Module Ten at www.sundaytimes.co.za/itsmybusiness by using their student number and the following password: 10exstrt

The module can also be accessed with this password by using the CD-ROM.

This is the last module of the course. For those who wish to complete the exam, it can be accessed on CD-ROM or at the Internet site using the password exam11pw

For more information about the exam, see Page 1 of Careers or go to www.sundaytimes.co.za/itsmy business

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IT'S MY BUSINESS

JANETTE BENNETT explains how a humble hope to help the economy turned into a giant project

Thousands sign up for business course

THE idea came when we asked the question: how could the Sunday Times play a role in job creation and economic recovery? And how could it help small business get off its feet?

The problems are huge: unemployment is running at about 37%, the formal sector is shedding jobs, and some estimates are that only 5% of school-leavers will find formal jobs in the future.

The answer was a business course, one that would reach as many people as possible. "We wanted to empower people with the essential tools to run their own business, ending with the ability to draw up a business plan," says Sunday Times editor Mike Robertson.

Far too many good ideas and potential businesses fail before they start. Without a good business plan to show how and what an entrepreneur will deliver, there is almost no chance of getting funding.

The Liberty Foundation did not hesitate to offer sponsorship. Wits Business School (WBS) joined the party with content to make up the 10-week course running from September 30 to December 2. The Learning Channel Campus came on board to digitise Wits's material for the Internet and, for those without access, on a CD-ROM.

The Sunday Times would be the vehicle, spreading the course around the country, further fulfilling its mission to provide knowledge people can trust.

Importantly, the course — valued at R12 000 in a traditional classroom setting — would be free.

But nobody was prepared for the avalanche that began on September 9, the day the course was introduced, on this page, to readers. It became SA's most subscribed-to business course ever.

"We expected 3 000 readers to register for the course," Robertson says. "By the end of the first week, 9 000 had registered. By the registration deadline (September 25), 26 410 had registered. The response was overwhelming."

Participants include company directors, prisoners, tradesmen and schoolchildren.

Initially, CD-ROMs were promised to the first 5 000 students who registered. But, as demand grew, Liberty agreed to provide a CD-ROM to every person who registered by September 19 — 14 940 made it.

The helpline — initially staffed by one person for two hours a day — was replaced by a full-time call centre staffed by four people. Six more captured data from registration forms. Readers sent 11 700 e-mails about the course to us and 15 000 phoned.

And so came real stories of courage and determination. Some readers were channelling the CDs and course material to prisoners in jail. Others were ensuring it reached people in rural areas.

As much as students were learning, so was WBS. "It was the first time we had used a digital format, and it was the first time we had taken our content to such a broad base of people," says finance and entrepreneurship lecturer Max MacKenzie. And it helped to counter the elitist perception of WBS. "Historically, the business school has focused on corporates," he says. "But we saw a weakness in the supply of skills training for entrepreneurs. There's a big need for basic, fundamental business skills, and this course has made us look at our own content."

Hylton Applebaum, who heads the Liberty Foundation, says it made "such good sense" to use the Sunday Times as the vehicle to take WBS's knowledge resources into people's homes. The vehicle and the digital format, he believes, gave many people who would otherwise have felt intimidated the confidence to register for a WBS course.

Professor Andy Andrews, South Africa's wise man of business education, says the course struck a "sweet spot, not only for new business owners. The lessons are applicable in almost any business.

"Success in business is seldom the result of 'one big idea'," he says, "but rather a combination of many factors and actions over long periods. This course has clearly enabled business owners to think through most of the alternatives in a logical and objective way."

And the future? "We have learned much from It's My Business, and are looking at other appropriate courses that will empower our readers," Robertson says.

● **This is what some of the students said about the course:**

● "I think it is a brilliant idea . . . Exactly what South Africans need to unlock their potential and move our country forward."

□□□

"I think it will help me as I am desperate to start my own business."

□□□

"It's generosity like this that will help solve the mountainous unemployment and social problems in SA. You are doing a fantastic job. God bless you all!"

□□□

"Thank you so much for fulfilling our desire to conduct business."

□□□

"We have formed an It's My Business study group that meets each week."

□□□

"The course builds and moulds an entrepreneur and sets a positive destiny for every business entity."

THE Sunday Times has decided to extend the period for writing the exam to accommodate as many students as possible. Those who wish to test their knowledge may complete the exam any time from today until January 7 online, or by using the CD-ROM.

To access the exam online, go to www.sundaytimes.co.za/itsmybusiness and then click on the "IMB Course" button on the page. This will take you to the Course page — click on the "Exam and Certification" button. You will need your student number and the exam password to access the exam. For those with online access to the course only, please note that the exam will not be available after January 7.

Should you want to receive a Sunday Times It's My Business certificate, you must score 50% or more in the exam. The certificate costs R200 and your exam results page and application for the certificate must be posted or faxed to the Sunday Times by January 14. All the details about the exam and the certificate are contained in "Exam and Certification" online and on the CD-ROM.

WHAT YOU NEED TO KNOW ABOUT THE EXAM

The two-hour exam is in a multiple-choice format, with 120 questions — a minute for each question. You should be able to answer some in under half a minute and spend more time on those requiring more time. Although you should try to stick to these suggested time limits, they are a guide only.

You will not be able to go back and change your answers. Think carefully before answering.

The exam broadly covers all 10 of the weekly modules, but the questions are not equally divided between the modules. Nor are they necessarily in the order of the modules. However, they are grouped together per module.

Most questions will test your understanding of concepts covered by the course.

You will be examined not only on the main articles and academic tools, but also on the toolkit content of each section. So, to do well in the exam, you should follow the 10-week course thoroughly, and then revisit all modules. You will also be expected to apply sound business sense. Prepare by reading as much as possible.

● Find your exam password with the 10th module article in this section.

Nowhere to run, nowhere to hide

The world is a dangerous place. Is there anywhere safe to do business? NEIL BENNETT looks at the latest attempt to map and evaluate the global hotspots

EVERYONE knows that after September 11 the world became a more dangerous place in which to do business — but until now no one has dared to hazard a guess at just how much more dangerous.

Now Control Risks, the corporate security group, has published a map that attempts to show just how perilous global commerce has become.

Drawn up in the days following the attack on the World Trade Center, Risk Map 2001 shows there has been a 30% increase in countries that the agency grades as high (orange) or extremely high (red) risk. Now large parts of Africa and a swathe of countries close to Afghanistan are rated as places where any businessman is going to be in danger unless he takes all sorts of precautions.

The map makes sobering reading. Only Scandinavia, Japan, Australia and New Zealand are given the lowest grade of insignificant risk. Yet even the US and Britain are graded as low risk.

When it comes to Afghanistan, however, the notes are a model of understatement. "The country will be unsafe to visit without considerable planning and assistance. Infrastructure and reconstruction opportunities will emerge in the long-term but the lack of institutions will make such operations a precarious option."

Afghanistan is joined by 10 other countries — six of them African — in the report's "extreme" category. These are places where "the severity of security risks to assets or personnel is likely to make business operations untenable. There is no law and order; conditions may verge on war or civil war. Foreign companies must strongly consider withdrawal."

The other 10 in this state are Burundi, the Central African Republic, Chad, Liberia, Pakistan (near the border with Afghanistan), Russia (Chechnya), Somalia, Sri Lanka, Sudan, and Tajikistan.

Control Risks chief operating officer Richard Fenning says many companies have little choice about where they need to do business. "A lot of our clients are involved in geology — oil or natural resources — and they simply cannot move their assets. These reserves have a niggling habit of being in places where the geopolitics are quite spicy."

These are boom times for Control Risks, an agency that started out life as a kidnap advisory group staffed by former staff from the special forces and security services and which has since grown into a wide-ranging security consultancy.

Fenning reports that inquiries from clients have soared since September 11. Not only are companies worried about the safety of their staff and assets overseas, but they are very concerned about becoming unwittingly entangled in the new global war against terrorism.

"Lots of people are calling us up saying, 'We have deals in the Gulf or Saudi, they have not presented us with any risk in the past but now they have'."

In the past Control Risks has carried out countless investigations into organised crime to ensure that its clients do not end up doing business with criminal front organisations. Now it is the same with terrorism.

"The issue of corruption is one we have been banging on about for years. What has happened as a consequence of September 11 is that terrorism has become a much bigger issue," says Fenning.

"Criminals have been corrupting governments around the world for a considerable period of time. Companies have to assume that well-organised terrorists have in turn been merging with or are connected to organised crime."

Control Risks' staff come from many backgrounds. Some are former SAS or army officers. But today they are joined by others, former academics and even journalists. As the war against terrorism continues, their services will continue to be in demand. — ©*The Telegraph, London*

Sunday Times

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Dear Mr

Thank you for registering for the Sunday Times "It's My Business" Course. Please accept the CD-ROM you requested on registration.

Your student number for use during the ten-week Course is:

The Course runs from September 30 to December 2 and consists of ten modules. Each week, an article about one of the ten modules by a Wits Business School guru will appear in the Careers Section of the Sunday Times. A password, which will enable you to access the module containing the academic Course material on the CD-ROM or on the Internet, will accompany the article on the page.

Should you wish to do the Course online, it is available at: http://www.sundaytimes.co.za/itsmybusiness. You will be asked to give your Student number at this site when accessing the Course on-line (and then the password for the module you wish to do). Those with Internet access will also be able to ask the Wits Business School guru questions about the current module using an electronic bulletin board on the site.

The Sunday Times is also offering registered students supplementary Course Material. Please go to the Video button on the CD-ROM or Internet site for further information.

At the end of the ten-week Course you can write an exam (the password will be published on December 2 with the article on the last module). For further information on the examination process, please go to the "Exam & Certification" button on the Internet site or CD-ROM.

The Sunday Times is committed to continue to provide its readers with the knowledge that will equip them to be the leaders of the future. We hope that you are enriched by this Course.

"It's My Business" has been made possible by the generous sponsorship of the Liberty Foundation.

Thank you

Mike Robertson
Editor

Sunday Times

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